

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 OPIC-03
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15
DODE-00 PM-05 H-01 L-03 PA-01 ACDA-12 NSCE-00
SSO-00 ICAE-00 INRE-00 /122 W
-----040091 080709Z /21

O P 080545Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1816
INFO AMEMBASSY PARIS PRIORITY
AMCONSUL ISTANBUL
AMCONSUL ADANA
AMCONSUL IZMIR

C O N F I D E N T I A L ANKARA 3490

USOECD

E.O. 11652 GDS
TAGS: EFIN, OECD, TU
SUBJ: OECD CONSORTIUM FOR TURKEY: DEBT RESCHEDULING

SUMMARY. TURKISH PRESS MAY 3-5 CLAIMED US WAS ACTING AGAINST TURKISH INTERESTS IN OECD CONSORTIUM. GIVEN CURRENT TURKISH DISILLUSIONMENT WITH US, MORE BLAME IS INEVITABLE AS WE NECESSARILY TURN DOWN SOME OF TURKEY'S IDEAS ABOUT AID AND RESCHEDULING. EMBASSY SUGGESTS THAT US DELEGATION TO MAY 16-19 MEETINGS WILL HAVE TO BE EXTREMELY CAUTIOUS ABOUT PRESENTATIONAL ASPECTS OF US POSITIONS TO AVOID GIVING TURKS GROUNDS FOR PERCEIVING US (A) AS TAKING LEAD IN BLOCKING USE OF CONSORTIUM AS PLEDGING INSTITUTION, (B) AS ARGUING FOR PUTTING TURKEY UNDER CONSORTIUM ECONOMIC DISCIPLINE, OR (C) AS OTHERWISE TRYING TO FRUSTRATE THEIR EFFORTS TOWARD ECONOMIC RECOVERY. END SUMMARY.

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1. TURKISH PRESS STORIES MAY 3-5 PORTRAYED UNITED STATES AS ACTING AGAINST TURKISH INTERESTS IN OECD CONSORTIUM FOR TURKEY. TERCUMAN (CONSERVATIVE, OPPOSITION JUSTIVE PARTY) REPORTED FROM PARIS MAY 3 AND 4 THAT US DELEGATE TO CONSORTIUM MEETING OF APRIL 28 HAD SAID THAT CONSORTIUM WAS "NOT AN ORGANIZATION TO GIVE DEVELOPMENT CREDITS";

THAT TURKISH DEBT SHOULD BE POSTPONED ONE YEAR AT A TIME; THAT IMF STANDBY AGREEMENT WITH TURKEY WAS MILD AND DID NOT IMPOSE ADEQUATE CONDITIONS FOR IMPROVING COUNTRY'S ECONOMIC PERFORMANCE; AND THAT OECD SHOULD IMPOSE "TIGHT CONTROLS" OVER TURKISH ECONOMY. CUMHURIYET (LET WING OF GOVERNING REPUBLICAN PEOPLE'S PARTY; ANIT-US) SAID MAY 5 THAT FINANCE MINISTER ZIYA MUEZZINOGLU HAD DISCUSSED WITH WEST GERMAN ECONOMIC COOPERATION MINISTER DURING VISIT TO GERMANY LAST WEEK "US PROPOSAL FOR PUTTING TURKEY UNDER STRICT (ECONOMIC) CONTROL".

2. ARTICLES PRESENT NEW FORMULATION OF "ECONOMIC EMBARGO" CHARGE OF LAST YEAR, WITH TURKS NOW CASTING US AS VILLAIN BLOCKING ACCEPTANCE OF THEIR PROPOSALS FOR DEBT RELIEF AND AID (I.E., FIVE-YEAR DEBT RESCHEDULING SIMULTANEOUSLY WITH NEW DEVELOPMENT ASSISTANCE UNDER AEGIS OF OECD CONSORTIUM AND WITHOUT OVERTONES OF A PARIS CLUB OPERATION). IF THIS CHARGE GAINS FREQUENCY, IT COULD SOUR US DIALOGUE WITH TURKEY NOT ONLY ON FINANCIAL MATTERS BUT ALSO ON CYPRUS AND MILITARY AFFAIRS.

3. EMBASSY IS FULLY AWARE THAT USG CANNOT AND SHOULD NOT ACCEDE TO ALL OF TURKEY'S EXPECTATIONS REGARDING CONSORTIUM. IT APPRECIATES THAT US IS INEVITABLY GOING TO TAKE A LOT OF BLAME FROM THE TURKS. THEY LOOK UPON THE US
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AS LEADER OF AND MAIN INFLUENCE ON THE CREDITOR GROUP. BUT THEY ALSO PERCEIVE THE US AS HAVING UNJUSTIFIABLY WALKED AWAY FROM ITS TRUST AS TURKEY'S PROTECTING POWER. WHEN THE CREDITOR GROUP REFUSES TO GIVE TURKEY ITS WAY IN MANY MATTERS, TURKS WILL PERCEIVE ONE MORE MANIFESTATION OF US "UNRELIABILITY". ALTHOUGH WE CANNOT AVOID BEING CRITICIZED BY TURKEY ON OUR SUBSTANTIVE POSITIONS, EMBASSY URGES THAT WE APPLY GREAT ATTENTION TO THE PRESENTATION OF THOSE POSITIONS IN ORDER TO MINIMIZE OCCASION FOR TURKISH OFFICIALS AND PRESS TO BELIEVE OR PRETEND TO BELIEVE THAT US IS THWARTING TURKISH ECONOMIC RECOVERY PLANS.

4. EMBASSY SUGGESTS, FOR EXAMPLE, THAT USG SHOULD NOT GIVE GOT GROUNDS FOR PERCEIVING US TO BE BLOCKING USE OF CONSORTIUM AS PLEDGING INSTITUTION. EMBASSY IS FULLY AWARE THAT THERE IS LITTLE SENTIMENT AMONG CONSORTIUM MEMBERS FOR SO USING IT. EMBASSY ALSO RECOGNIZES AND AGREES WITH NEED TO BE FORTHRIGHT AND HONEST IN ORDER TO SAVE TURKEY FROM UNREALISTIC EXPECTATIONS OF HELP FROM THAT SOURCE. IT WOULD APPEAR DESIRABLE THAT TURKS AT MAY 16-19 MEETINGS UNDERSTAND FROM GENERAL CONSENSUS RATHER THAN FROM ANY

US LEAD STATEMENTS THAT THEY CANNOT EXPECT PLEDGING SESSION AS IN PAST. INSTEAD, EMBASSY WOULD LIKE TO SEE US DELEGATION FOCUS ON POSITIVE PROPOSAL THAT CONSORTIUM MEET IN FALL TO MAKE CONFIDENCE-BUILDING ANNOUNCEMENT OF RESULTS OF CONCERTED EFFORT BY AD HOC GROUP (OR WHATEVER IT MAY FINALLY BE CALLED), GOVERNMENTS, PRIVATE BANKS, IBRD, IMF, ETC. TO COME TO TURKEY'S ASSISTANCE.

5. EMBASSY ALSO THINKS IT IMPORTANT THAT US BE SUBTLE IN ADVANCING OR SUPPORTING USE OF CONSORTIUM AS FORUM FOR DISCUSSION OF TURKISH ECONOMIC PLANNING PROBLEMS. ECEVIT GOVERNMENT WILL NOT AND CANNOT ACCEPT APPEARANCE OF PERMITTING FOREIGN GOVERNMENTS TO DICTATE TURKISH ECONOMIC POLICY. USG SHOULD STRIVE TO AVOID GIVING ANY GROUNDS FOR DEMA-CONFIDENTIAL

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GOGIC CHARGE THAT US IS DRIVING TO "PUT TURKEY UNDER STRICT CONTROLS."

6. WE HAVE TO BE ALL THE MORE SENSITIVE ABOUT HOW WE ARE TO EXPRESS OUR POSITIONS AT THE COMING MEETINGS IN VIEW OF THE POSSIBILITY THAT TURKEY COULD RUN INTO DIFFICULTY IN FULFILLING IMF CONDITIONS THIS SUMMER (AS CHARLES WOODWARD OF IMF SAID PRIVATELY APRIL 28 IN PARIS) AND THEREAFTER IN RAISING THE AMOUNT OF NEW CREDIT THAT HAS BEEN ASSUMED IN THE FORMULATION OF THE ANNUAL PROGRAM. OUR ABILITY TO WORK WITH THE TURKS IN OTHER AREAS DEPENDS IN PART ON MINIMIZING THE GROUNDS FOR TURKEY'S BLAMING US, HOWEVER, IRRESPONSIBLY, FOR ITS ECONOMIC FAILURES. THAT ABILITY, OF COURSE, WOULD BE HEAVILY DAMAGED IF CONGRESS FAILED TO REPEAL THE MILITARY SALES EMBARGO AGAINST TURKEY WHEN IT COMES TO A VOTE IN JUNE OR JULY. EVEN IN THAT WORST-CASE SITUATION, HOW WE APPEARED TO THE TURKS ON AID AND DEBT MATTERS WOULD BE AN IMPORTANT FACTOR IN OUR EFFORTS TO SALVAGE A SEVERELY STRAINED RELATIONSHIP. SPIERS

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TAGS: EFIN, SOPN, TU, US, OECD
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